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PERFORMANCE REVIEW DIVISION OF NATURAL RESOURCES THE PARK SYSTEM

AUDIT OVERVIEW

The West Virginia Park System Continues to Lack the Necessary Resources to Adequately Reduce the Number of Deferred Maintenance and Capital Improvement Projects.



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Note: On Monday, February 6, 2017, the Legislative Manager/Legislative Auditor's wife, Elizabeth Summit, began employment as the Governor's Deputy Chief Counsel. Most or all the actions discussed and work performed in this report occurred after this date. However, the Governor's Deputy Chief Counsel was not involved in the subject matter of this report, nor did the audit team have any communications with her regarding the report. As Deputy Chief Counsel, the Legislative Auditor's wife is not in a policy making position within the Executive Branch. Therefore, the Performance Evaluation and Research Division does not believe there are any threats to independence with regard to this report as defined in A3.06.a and A3.06.b of the Generally Accepted Government Auditing Standards. Furthermore, the Legislative Auditor has instructed the Director of Performance Evaluation and Research Division to document and discuss any issues he believes are a threat to the division's independence with the President of the Senate and the Speaker of the House due to Ms. Summit's position.

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EXECUTIVE SUMMARY

The Performance Evaluation and Research Division (PERD) within the Office of the Legislative Auditor conducted a Performance Review of the West Virginia Division of Natural Resources, Parks and Recreation Section pursuant to West Virginia Code §4-10-10(b)(1). The objective of this review was to determine the extent to which the Parks and Recreation Section has addressed the deferred maintenance issues at West Virginia State Parks, previously discussed in the 2009 Performance Review. The issue contained in this report is highlighted below.

Frequently Used Acronyms in This Report:

DNR – Division of Natural Resources

PERD – Performance Evaluation and Research Division

Report Highlights:

Issue 1: The West Virginia Park System Continues to Lack the Necessary Resources to Adequately Reduce the Number of Deferred Maintenance and Capital Improvement Projects.

- Excess lottery revenue bonds totaling \$60 million should reduce the deferred maintenance in the Park System, but will not be sufficient to complete all the necessary work.
- Site visits to 15 West Virginia State Parks reveal issues with maintenance similar to those found in the 2009 Performance Review.
- The West Virginia Park System has addressed many of the safety concerns raised in the 2009 Performance Review, but serious issues remain.
- Many parks have significant infrastructure needs, particularly with waste treatment facilities.

PERD's Response to the Agency's Written Response:

PERD received the agency's response to the draft copy of the Performance Review on August 30, 2018. The agency's response can be found in Appendix B on page 33. The agency agrees with the overall finding of the report and provides additional information in its response.

Recommendation

1. *The Legislative Auditor recommends that the West Virginia Legislature consider implementing the options identified in this report that will increase revenue to meet the maintenance needs of the Parks System and allow greater flexibility to the Parks and Recreation Section's administration in managing its budget.*

ISSUE 1

The West Virginia Park System Continues to Lack the Necessary Resources to Adequately Reduce the Number of Deferred Maintenance and Capital Improvement Projects

Issue Summary

The Performance Evaluation and Research Division (PERD) conducted site visits at 13 state parks, 1 state forest, and both rail trails. The site visits provided the PERD staff with an understanding of the strengths and weaknesses of the State Park System, under the West Virginia Division of Natural Resources (DNR). The Park System has a number of strengths such as, customer service, park beauty and a variety of recreational activities that have led to many repeat visitors. The primary weakness of the Park System is deferred maintenance and a backlog of capital improvement projects, which has resulted in aging and non-viable buildings, safety concerns, and a deterioration of infrastructure. The superintendents interviewed for this review consistently indicated that the deferred maintenance and backlog of capital improvements are directly attributed to insufficient funds, the purchasing process through the Purchasing Division, and a lack of maintenance staff to perform the necessary repairs. During the 2018 regular session, the Legislature passed a bill to allow the Park System to sell up to \$80 million in excess lottery bonds for capital improvement projects. **However, according to the Parks Section's own estimates, it needs \$76.5 million to \$100.7 million to complete all the current outstanding deferred maintenance and capital improvement projects.**

The Park System has a number of strengths such as, customer service, park beauty and a variety of recreational activities that have led to many repeat visitors. The primary weakness of the Park System is deferred maintenance and a backlog of capital improvement projects, which has resulted in aging and non-viable buildings, safety concerns, and a deterioration of infrastructure.

West Virginia's State Park System Does Not Receive Sufficient Funding to Complete Its Backlog of Deferred Maintenance and Capital Improvement Projects.

In FY 2017, park-generated revenues was approximately \$21.4 million, which was approximately 51 percent of the \$41.8 million in annual program costs. The revenue shortfall was covered by appropriations of \$19.8 million. This funding level allows for some park improvements annually; however, it is inadequate to keep pace with the rate of deterioration in equipment and facilities. Although this review identifies some cost-cutting measures that should be considered, and Park System management is attempting to enhance park-generated revenue through improvements of various facilities, these efforts will not be sufficient to address the growing maintenance needs of the Park System. Two bills passed during the 2017 and 2018 legislative session should help to address the concerns raised by the superintendents. First, the Parks and Recreation Section received an exemption from oversight by the Purchasing Division in 2017, which should allow the agency to purchase necessary materials timelier. The second bill authorized the agency to sell up to \$80 million in excess lottery revenue bonds to meet

During the 2018 regular session, the Legislature passed a bill to allow the Park System to sell up to \$80 million in excess lottery bonds for capital improvement projects.

deferred maintenance needs. However, the agency's estimates for needed repairs and renovations exceeds that amount. Therefore, West Virginia needs to consider additional financial options to address the maintenance needs of the Park System. These options include increasing legislative appropriations, changing statutory authority to allow the West Virginia Division of Natural Resources to sell state park property, and introducing entrance fees at select parks. Of these options, charging entrance fees may be the most viable.

Excess Lottery Revenue Bonds Totaling \$60 Million Should Reduce the Deferred Maintenance in the Park System, but Will Not Be Sufficient to Complete All the Necessary Work.

During the 2018 Regular Session, the Legislature approved Senate Bill 438, which allows the DNR to sell up to \$80 million in excess lottery revenue bonds for deferred maintenance and capital improvement projects. The West Virginia Economic Development Authority authorized the sale in August and the DNR plans to release \$60 million in bonds in September. This injection of revenue should help the agency to complete a large portion of the capital improvements and deferred maintenance projects currently identified or in planning, but it is not enough to cover the full \$76 to \$100 million in total projects on the list. Therefore, the Legislative Auditor reiterates the need for additional revenue sources for park maintenance projects.

A Brief History of the West Virginia State Park System

In the United States the creation of state parks and protected lands managed by state government agencies arose in the late 19th century. The National Park Service hosted the first National Conference of State Parks in 1921. The conference created interest among the states and by 1925 every state was formulating park development plans. Droop Mountain Battlefield became West Virginia's first state park in 1928. In the early 1930's West Virginia began acquiring land for state parks. West Virginia's State Park System established guidelines and rules in 1933 when it became one of the divisions of the Conservation Commission of West Virginia. Pursuant to W. Va. Code §20-5-3, the purpose of the West Virginia Division of Natural Resources' Parks and Recreation Section, "...is to promote conservation by preserving and protecting natural areas of unique or exceptional scenic, scientific, cultural, archaeological or historic significance and to provide outdoor recreational opportunities for the citizens of this state and its visitors."

The establishment of the Civilian Conservation Corps (CCC) in 1933 by President Franklin D. Roosevelt put many young men to work developing state land into parks. The CCC worked on 16 West Virginia State Park System areas during the 1930's to build cabins, roads, facilities and walking trails. The West Virginia State Park System is now

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The Park System offers visitors a wide variety of facilities and recreational activities and provides employment in many rural parts of the state.

comprised of 45 separate recreational and historic areas: including 35 state parks, 8 state forests, 1 natural area, the Greenbrier River Trail, and the North Bend Rail Trail. The Park System offers visitors a wide variety of facilities and recreational activities and provides employment in many rural parts of the state. At the conclusion of FY 2017, there were approximately 416 fulltime state employees and approximately 1,000 seasonal staff employed at state parks, forests, and rail trails.

The West Virginia Park System Remains Distinct.

West Virginia is one of four state park systems in the United States of America with the responsibility of operating a combination of state parks, forests and rail trails. PERD obtained data on park systems in all 50 states from the National Association of State Park Directors’ Annual Information Exchange to see how West Virginia compares to the rest of the nation. The Park System creates recreational opportunities for visitors that may not be offered in their local communities, such as golf courses, tennis courts, swimming pools, hiking, fishing, boating, or horseback riding. It also contributes to and anchors recreational areas, such as the Canaan Valley and Fayetteville areas. West Virginia parks also attract visitors from all over the United States and the world.

Of the states that do not charge entrance fees, West Virginia ranks highest in self-sufficiency at 52 percent, which is 20 percent higher than the average self-sufficiency rate for the 10 state park systems that do not charge entrance fees.

Compared to the rest of the country, West Virginia’s park characteristics rank within or just outside the top 10 in many categories (see Table 1). West Virginia has the second highest number of lodges and lodge rooms. Also, West Virginia State Parks is third in the nation for number of golf course holes. At \$2.97, West Virginia State Parks are eleventh in the nation for average value of revenue generated per guest. In the previous performance review, the Legislative Auditor found that, with a self-sufficiency rate of 60 percent, West Virginia was 11th nationally in self-sufficiency; despite not charging entrance fees. As of 2016, West Virginia’s self-sufficiency ranking decreased to 52 percent and drops the state’s ranking to 21.

Features	Value	National Ranking
Self-Sufficiency	52%	21 st of 45
Average Revenue Generated per Guest	\$2.97	11 th of 45
Park Restaurants	11	8 th of 35
Total Lodges	12	2 nd of 29
Total Lodge Rooms	878	2 nd of 27
Total Cabins/Cottages	333	9 th of 48
Golf Course Holes	189	3 rd of 28

Source: National Association of State Park Directors, 2017 Annual Information Exchange Master Data Set.

West Virginia remains 1 of 10 states that does not charge entrance fees for individuals or passenger vehicles. Of the states that do not charge entrance fees, West Virginia ranks highest in self-sufficiency at 52 percent (see Table 2), which is 20 percent higher than the average self-sufficiency rate for the 10 state park systems that do not charge entrance fees. As can be seen, West Virginia is significantly higher in self-sufficiency compared to other state park systems that do not charge entrance fees.

Table 2
Revenue Sources and Self-Sufficiency Rankings for State Park Systems
That Do Not Charge Entrance Fees (in millions),
FY 2016

State	Park Generated Revenue	General Fund	Dedicated Funds	Federal Funds	Other	Total Operating Expenses	Self-Sufficiency
West Virginia	\$21.9	\$13.3	\$7.2	-	-	\$42.4	52%
Kentucky	44.0	45.9	-	-	-	89.9	49%
Tennessee	36.7	43.0	-	\$0.4	\$2.3	82.4	45%
Arkansas	25.4	15.2	20.6	-	-	61.3	42%
Ohio	26.2	30.1	6.5	-	-	62.8	42%
Iowa	5.1	5.6	6.1	0.2	0.9	17.8	28%
Alaska	3.7	5.8	3.2	0.9	0.6	14.2	26%
Pennsylvania	22.8	54.8	-	-	23.0	100.7	23%
Missouri	4.8	-	43.5	2.2	-	50.5	10%
Illinois	3.9	6.1	39.8	-	-	49.8	8%
Average	\$19.5	\$24.4	\$18.1	\$0.9	\$6.7	\$57.2	32%

Source: National Association of State Park Directors, 2017 Annual Information Exchange Master Data Set.

Sixty-three (63) superintendents and park rangers manage the parks. A park superintendent is responsible for the maintenance, as well as, the business management of the park. Each park superintendent is responsible for the security and law enforcement of the park, in addition to preparing and approving work reports, purchasing documents, payrolls, revenue and expenditure reports, developing employee training, making recommendations for repairs or renovations of structures, and in most cases, providing services to the lodges, cabins, restaurants and golf courses. The sizeable terrain, substantial number of lodge parks, lodge rooms and recreational activities create diverse facilities to maintain. The requirements of maintaining the large, aging system are difficult and ongoing. Limited funding for maintenance creates a constant challenge, but the park administrators and superintendents should be commended for continuing to manage a relatively self-sufficient and well-rated park systems in the country.

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Site Visits Reveal Strengths of the Park System

During the course of the review, PERD staff visited 13 state parks, 1 state forest, and both the Greenbrier River and North Bend Rail trails, the two rail trails in the state that are under DNR's authority. The audit team interviewed 14 park superintendents and toured the facilities at 15 locations with the superintendents and, in most parks, the assistant superintendents. The audit team reviewed repair lists prepared by the engineering subsection of the Parks and Recreation Section of DNR, as well as, capital improvement project lists developed by the three district managers and park superintendents. During the tours, the superintendents identified specific areas or structures that were included in either one or both of the lists. The audit team photographed the areas as well as evidence of work in progress and recently completed improvements or deferred maintenance projects. Based on the estimated costs provided by the Park System, PERD determined that the current outstanding cost of all capital improvement and deferred maintenance to be between \$76.5 million and \$100.7 million. The \$24.2 million difference in that range is due to the estimated cost of remodeling cabins at eight parks. The lower end of the estimate is based on the park's maintenance staff remodeling the cabins at a rate of 1 to 2 a year; or contracting out the remodeling and having all cabins at an individual park remodeled at one time.

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Guest satisfaction is high at State Parks. The Parks and Recreation Section evaluates customer satisfaction by reviewing comment cards filled out by guests. At the conclusion of calendar year 2017, DNR reports that 94 percent of respondents indicated the park where they stayed was good to excellent. The park superintendents interviewed by the audit team also stated that most visitors are satisfied with the Park System. The following were noted as its strengths:

- state parks serve as local parks for many communities (family reunions, pools, outdoor recreation);
- provide jobs, particular in areas of the state where jobs are scarce;
- provide exceptional hospitality and guest services;
- parks are integral to the outdoor economy throughout the State; and,
- guests enjoy the ambiance of the lodges, cabins/cottages, and other park facilities.

At the conclusion of calendar year 2017, DNR reports that 94 percent of respondents indicated the park where they stayed was good to excellent.

West Virginia State Parks offer a variety of amenities and attractions, many of which cannot be found outside the park system in West Virginia or the larger Mid-Atlantic region of the United States. While surrounding states offer campgrounds, cabins, and lodges similar to those found in West Virginia, overnight guests to West Virginia State Parks offer some unique experiences. For instance, Tomlinson Run in Hancock County has two yurts available for rental in its campground (Figure 1). Seneca State Forest in Pocahontas County, meanwhile, offers

a converted fire tower for rent (Figure 2). The fire tower is so popular, according to the WV Park System website, that guests are advised to book their stay a year in advance. For visitors looking for less extreme but equally unique accommodations, Cass Scenic Railroad State Park offers original company houses for rent.



Figure 1. A yurt available to rent at Tomlinson Run State Park.

Photo: Performance Evaluation and Research Division.



Figure 2. A fire tower available to rent for overnight stays at Seneca State Forest. *Photo courtesy of the West Virginia Division of Natural Resources.*

West Virginia State Parks offer a variety of amenities and attractions, many of which cannot be found outside the park system in West Virginia or the larger Mid-Atlantic region of the United States.

West Virginia State Parks also offer some unique attractions. Guests can ride aerial trams at two state parks: Pipestem Resort State Park in Mercer and Summers County and Hawks Nest State Park in Fayette County. The Hawks Nest tram drops guests off at the base of the New River Gorge, where they can purchase tickets to ride on the park's speed boat river tour. Cass Scenic Railroad, as the name suggests, offers train rides along the original rail line to the top of the third highest peak in the state, Bald Knob. One of the most iconic attractions in the park system is the Glade Creek Gristmill at Babcock State Park in Fayette County. Finally, Canaan Valley Resort State Park has the longest snow tubing park

in the eastern United States, according to the Park's superintendent. With funding from its foundation, Canaan also built a paragliding launch site atop the ski slopes and became the first certified paragliding launch site in West Virginia in 2016. The site helps generate revenue for the park since it requires a lift ticket to access the launch pad. Since its opening, Canaan has gained international exposure within the paragliding community.

The variety of recreational activities found in West Virginia State Parks are also strengths of the system. Recreational facilities for park visitors include: playgrounds, hiking, biking, golf courses, basketball courts, tennis courts, miniature golf, skiing, cross-country skiing, sled runs, horse stables, swimming pools and fitness centers. In recent years, many parks have looked to add or repurpose underutilized areas to develop new recreational opportunities that will attract individuals and families, such as geocaching and disc golf. These activities have minimal cost to start and operate than other popular recreational facilities, such as pools and golf courses. Their affordability also makes these activities more accessible to a large section of the population, and many superintendents noted that they are some of the most popular activities in the parks.

Site Visits to 15 West Virginia State Parks Reveal Issues with Maintenance Similar to Those Found in the 2009 Performance Review

Despite the strengths of the Park System, and assuming that the 15 state parks visited by the PERD audit team are representative of the system as a whole, there are a number of areas where improvements are needed to provide park facilities that are attractive and safe for park visitors. Park superintendents and PERD staff noted that the following park weaknesses were:

- deferred maintenance,
- dated facilities and equipment,
- lack of services and/or amenities,
- safety risks to visitors, and
- poor or no internet and/or cellular phone service in the parks.

Deferred maintenance of park facilities and a backlog of capital improvement projects are significant concerns for park superintendents. Deferred maintenance is the failure or delay to perform needed repairs or maintenance as part of the normal management for park facilities. The practice of postponing repairs or renovations can allow machinery or infrastructure to deteriorate, which may affect the decisions of park visitors to return to the park(s) they visited or visit other West Virginia State Parks. Maintenance that is deferred presents an unsightly appearance and may result in safety concerns or poor service to the public. Additionally, the West Virginia Park System cannot keep up with capital improvements

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to park facilities. According to W. Va. Code §11-15-2(b)(3)(C)(vi) the term *capital improvement* refers to improvements, “...that are affixed to or attached to and become a part of a building or structure or the real property or which add utility to real property, or any part thereof, and that last or are intended to be relatively permanent.” Competition for visitors with neighboring park systems requires continual attention to the condition of facilities.

Similar to the 2009 Performance Review, the Legislative Auditor finds that West Virginia’s Parks and Recreation Section has insufficient resources to maintain and improve the parks within the system. The audit team noted issues with deferred maintenance and the need for renovations and improvements throughout the site tours. The backlog of maintenance and capital improvement projects is primarily due to insufficient funding and revenue production at the parks but is also influenced by reductions in maintenance staffing hours and positions, and delays in the purchasing process through the Purchasing Division within the Department of Administration.

The West Virginia Park System Has Addressed Many of the Safety Concerns Raised in the 2009 Performance Review, but Serious Issues Remain.

The 2009 Performance Review noted several safety issues in the parks, which included faulty playground equipment. In response to that report, DNR replaced equipment at many of the parks, and as the audit team noted in its site visits, others have been replaced by the parks’ foundations. However, hazardous playground equipment remains a concern, as can be seen in the pictures in Figures 3 and 4. Figure 3 shows a toddler swing and seesaws in the cabin area at Blackwater Falls State Park. The top bar of the swing set is bent and the swing itself hangs at an angle. The photograph in Figure 4 shows a playground at the pool/recreation area at Chief Logan State Park in Logan County. The structure includes two slides attached to elevated platforms several feet off the ground. Neither platform has a railing around it to prevent children from falling. Again, the examples of playground equipment pictured in Figures 3 and 4 are not typical of State Park playgrounds; however, they show that old and broken equipment

The backlog of maintenance and capital improvement projects is primarily due to insufficient funding and revenue production at the parks but is also influenced by reductions in maintenance staffing hours and positions, and delays in the purchasing process through the Purchasing Division within the Department of Administration.



Figure 3. Playground equipment in the cabin area at Blackwater Falls State Park. *Photo: Performance Evaluation and Research Division.*



Figure 4. Playground equipment in the recreation area at Chief Logan State Park. *Photo: Performance Evaluation and Research Division.*

The Parks' Chief assured the audit team that when Parks' staff identify issues with equipment like those shown in the Figures, the equipment is removed or repaired as soon as possible.

still exist and represent a potential safety hazard to guests. The Parks' Chief assured the audit team that when Parks' staff identify issues with equipment like those shown in the Figures, the equipment is removed or repaired as soon as possible.

The dilapidated lumber mill at Cass Scenic Railroad State Park, located near the Depot Parking Lot, is a safety hazard (see Figure 5). According to the Mountain State Railroad and Logging Association, after the mill was shut down in the 1960s, the structures deteriorated rapidly and "the rubble eventually burned." Since then, no attempt has been made to clean up the remaining structures and equipment. Although the site is fenced off, it is still accessible from the river and guests occasionally trespass to view the inside of the structures or collect souvenirs from the machinery parts that litter the site. The structure of the boiler house remains standing, but the metal siding over much of

the structure is shedding, exposing the metal beams and posts. It also stands several stories tall, and the superintendent noted that he has caught people climbing the exterior structure of the building. DNR has plans to remove the structures and clean up the debris, then turn the area into a riverside campground or construct picnic shelters at the site; however, the estimated cost for completing this project is \$1 million.



Figure 5. The lumber mill at Cass Scenic Railroad State Park. *Photo: Performance Evaluation and Research Division.*

The North Bend Rail Trail includes 300 to 400 antebellum-era stone culverts under the trail built at the time of the railroads construction. Some culverts are failing and need to be removed, reconstructed, or replaced.

The superintendent of the North Bend Rail Trail informed the audit team of two significant safety issues regarding the tunnels and culverts along the trail. All 10 tunnels on the Rail Trail are more than 150 years old, and they occasionally “shed” stones from their ceilings. Also, some tunnels are prone to flooding both inside and around the exteriors. To the superintendent’s knowledge, DNR has never completed a formal engineering study on the condition of the 10 historic tunnels to determine if any safety issues exist, such as the potential for a tunnel collapse. Furthermore, DNR does not have a plan to prevent tunnel collapses or a contingency plan if one occurs. A second issue with the tunnels is drainage. The North Bend Rail Trail includes 300 to

400 antebellum-era stone culverts under the trail built at the time of the railroads construction (Figure 6). Some culverts are failing and need to be removed, reconstructed, or replaced. In April 2015, the failure of one culvert led to a serious flooding incident in the town of Pennsboro in Ritchie County. A heavy rain event led to water backing up behind the culvert and overflowing the embankment and trail. Following the flood, DNR's engineers completed a walkthrough and, at the time of PERD's visit, were evaluating the condition and deficiencies of the remaining culverts. The superintendent stated the Rail Trail does not have the time and resources to maintain these culverts. DNR estimates the cost of replacing all 300 to 400 culverts to be around \$10 million.



Figure 6. An example of the stone culverts along the North Bend Rail Trail. *Photo: Performance Evaluation and Research Division.*

Most State Parks have had to establish their own waste treatment systems and drinking water systems because public services are unavailable.

Many Parks Have Significant Infrastructure Needs, Particularly with Waste Treat Facilities.

The Park System is responsible for providing most of its own infrastructure within park boundaries. Most State Parks have had to establish their own waste treatment systems and drinking water systems because public services are unavailable. Furthermore, many of the parks are responsible for the electrical systems, including the poles and wires that provide electricity to the parks. The roads into and throughout most state parks are the responsibility of the Division of Highways, but the parking lots and other paved areas on park properties are maintained by DNR. Other types of infrastructure projects include: heating and cooling, telecommunications and internet projects, structural repairs to various types of buildings, and demolition work.



Figure 7. A waste water treatment plant at Canaan Valley Resort State Park. *Photo: Performance Evaluation and Research Division.*

Most State Parks utilize one or more mechanical septic systems to process sewage and waste water from park facilities. Many of these systems are more than 30 years old and require significant maintenance and repairs to maintain operation. These systems treat the water before discharging them into streams and rivers, which requires them to be certified and monitored by the West Virginia Department of Environmental Protection. Part of the requirements for certification is regular monitoring of the water discharged from the systems for compliance with chemical and pollution limits set in the permits. In several parks, the plant operators (typically one or both superintendents and/or maintenance supervisors) informed the audit team that the systems in place are either too small or are in such a state as to be unable to maintain compliance with the permits. According to the capital improvement lists provided to PERD by the Park System, as of September 2017, 32 sewage-related projects are outstanding at 21 parks, for a total estimated cost of \$11.2 million. The estimated cost for two projects were not included in the list. Also, the calculation does not include projects that include sewage-related projects as part of more comprehensive projects, such as adding water and sewage hook-ups for recreational vehicles at campsites.

Just as in the case of sewage, most State Parks do not have access to municipal drinking water service, thereby requiring the parks to provide and maintain their own drinking water systems. These systems include water treatment, storage, and piping to carry the water from the storage facility to areas throughout the parks. Just as in the case of the park's sewage systems, many of the water systems are decades old and have begun to breakdown. Most water related projects at West Virginia State Parks involve the replacements of waterlines through the facilities. For instance, Cass Scenic Railroad needs to replace 3,500 feet of iron piping throughout the town, for an estimated cost of \$7,000. Babcock State Park, meanwhile, needs to replace the original waterlines for the entire park, at an estimated cost of \$1 million. In total, the park lists 17

According to the capital improvement lists provided to PERD by the Park System, as of September 2017, 32 sewage-related projects are outstanding at 21 parks, for a total estimated cost of \$11.2 million.

Most water related projects at West Virginia State Parks involve the replacements of waterlines through the facilities.

drinking water-related projects at 13 parks, for an estimated total cost of \$3.8 million.

The park system has also slated \$4.4 million for electrical projects. Many of these projects are to upgrade the ampage for electric hook-ups for recreational vehicles at campsites. Most modern RVs require 50 amps of electricity, but most of the parks visited by the audit team only offered 20 or 30 amps. Other projects include increasing the number of campsites with electric service, upgrading transmission lines to cabins, and replacing transmission lines that carry electricity into the park. One notable project is the replacement of the main transmission line that carries electricity from the mainland to Blennerhassett Island Historic State Park. The line runs under the Ohio River and is beyond its expected utilization by several years. If this line fails, the island will be without power until it can be replaced. DNR estimates this project will cost \$950,000 to complete.

The park system has also slated \$4.4 million for electrical projects.

Additional Options Are Available to Increase Funding for Annual Park Maintenance.

In order to address the major maintenance and renovation work needed within the Park System, the Legislative Auditor identified several viable options that should be considered. These are:

- increase the annual legislative appropriation;
- establish additional revenue sources, such as excise taxes;
- grant statutory authority allowing park property to be sold if it is in the best interest of the Park System;
- grant statutory authority to allow closure of state park managed facilities; and,
- implement entrance fees for certain parks.

Increase Legislative Appropriations. Insufficient funding for the Park System and a reduction in the parks' maintenance staff has resulted in deferred maintenance over several decades, which has led to the observed deterioration of park facilities, buildings and equipment that were visited by the Legislative Auditor's staff. Currently, the Legislature provides general and special revenue appropriations, totaling about \$27.2 million annually for the past four fiscal years. Special revenue from Lottery funds, totaling \$5 million for the State Park Improvement Fund, is used for routine maintenance and major repairs and equipment replacements. The park administration has estimated that an additional \$3 million annually is needed to be earmarked for the State Park Improvement Fund for major repairs and equipment replacement to address the deferred maintenance.

The park administration has estimated that an additional \$3 million annually is needed to be earmarked for the State Park Improvement Fund for major repairs and equipment replacement to address the deferred maintenance.

Provide New Revenue Sources, such as excise taxes or special fees.

Other states generate revenue for their park systems through special taxes and fees. For instance, 17 states offer state park specialty license plates,

that include an additional fee that goes directly to the park systems. A different group of 17 states also provide a portion of motor fuel tax revenue to their park systems. Other types of tax revenue states use to assist their park systems include: sporting goods taxes, real estate transfer taxes, and tobacco product taxes. Some states also generate revenue for parks through registration fees for boats, snowmobiles, and all-terrain vehicles.

Amend W. Va. Code to Allow Park Property and Resources to Be Sold. West Virginia Parks encompass valuable timber, oil, minerals and recreational areas and facilities. According to the WVOASIS fixed assets report, park assets including land, equipment, buildings and infrastructure are valued at over \$220 million. Land assets alone are nearly \$11.6 million. Under certain conditions, it could be in the State's best interest to sell park property; however, under W. Va. Code §20-5-2 any such sale would require statutory authority. It should also be noted that there may be restrictions to selling park property if a state park receives Land and Water Conservation Funds through the National Park Service, within the U.S. Department of the Interior. According to W. Va. Code §20-1-7(13), while timber from some lands under state jurisdiction may be sold, timber cannot be sold from state parks and Kanawha State Forest. During the 2018 legislative session, bills were introduced in both houses of the Legislature, which would amend W. Va. Code to allow the director of DNR to sell timber from park lands. The revenue generated from timber sales could be reinvested into the park system. According to the fiscal note for Senate Bill 270, the West Virginia Division of Forestry estimates that the program would cost \$200,000 annually and would generate \$1.6 million in revenue. W. Va. Code §20-1-7(14) prohibits selling or leasing state park land for mineral consumption. W. Va. Code §20-5-2(b) also prohibits the DNR director from selling parks or recreational property. In some parks, the mineral rights are reserved by the original owners.

It is the Legislative Auditor's opinion that in order to enhance the management of the State Park System, statutory authority should be granted to allow the DNR director to sell or lease park land and recreational facilities when it is in the best interest of the Park System. Provisions could be made to require such transactions to be approved by a legislative committee. Any decision to sell park land or timber should also take into consideration the impact of negative public perception and attendance numbers in the parks. Furthermore, DNR should consider the impact of the loss of scenic, cultural, archaeological and/or historical areas prior to considering any sales or leases of park lands.

Grant Statutory Authority to Allow Closure of State Parks. Pursuant to W. Va. Code §20-1-19(c), state parks and forests cannot be closed without statutory authority. Each state park, forest and rail trail incur expenses throughout the year, and no state park is self-sufficient, though two lodge parks and one historic park were more than 90 percent self-sufficient

Other types of tax revenue states use to assist their park systems include: sporting goods taxes, real estate transfer taxes, and tobacco product taxes.

It is the Legislative Auditor's opinion that in order to enhance the management of the State Park System, statutory authority should be granted to allow the DNR director to sell or lease park land and recreational facilities when it is in the best interest of the Park System.

in FY 2017. Beech Fork State Park in Cabell County and Blackwater Falls were 97 percent and 92 percent self-sufficient, respectively. State Forests, which are 35 percent self-sufficient, had expenses in excess of revenue of \$2.2 million. Although state parks overall are 68 percent self-sufficient, they had \$14.1 million more in expenses than revenue. While closing a managed park facility would still incur some cost to control and protect the area and its facilities while it is closed, there would be net savings as a result of the closure. It is the Legislative Auditor's opinion that the authority to close West Virginia State Parks would give the DNR's administration more flexibility and additional management tools to address budgetary issues.

Implement Entrance Fees. Establishing entrance fees at certain state parks may be the most practical means to raise the additional revenue needed for the Park System. Further discussion of this option takes place later in the report.

Park Generated Revenues Are Near the Maximum

Before concluding that there is a need for revenue enhancement or granting greater statutory authority to close parks or sell park property to address the deterioration in the Park System, the Legislative Auditor examined the extent to which cost-cutting measures and revenue enhancements of current operations can be taken to address the problem. In order to evaluate these issues, PERD examined the revenue structure of the Park System and also compared West Virginia's Park System to other state park systems. According to the agency's annual report for FY 2017, the park system uses a "User Pay-Public Benefit" model for operations, which means, "User fees for services and products generate revenue supporting the many public benefits provided by the system." Table 3 shows the top 10 state park systems in terms of the percentage of total operating expenses that are covered by park-generated revenue (self-sufficiency) as compared to West Virginia. It is the Legislative Auditor's opinion that while several options for additional funding should be considered, the most viable options are the reduction of costly operations and the enactment of entrance fees.

It is the Legislative Auditor's opinion that the authority to close West Virginia State Parks would give the DNR's administration more flexibility and additional management tools to address budgetary issues.

Establishing entrance fees at certain state parks may be the most practical means to raise the additional revenue needed for the Park System. Further discussion of this option takes place later in the report.

Table 3
State Park Self-Sufficiency Ratings and Revenue Sources (in millions)
For the Top Ten State Park Systems and West Virginia
FY 2016

State	Park Generated Revenue	General Fund	Dedicated Funds	Federal Funds	Other	Total Operating Expenses	Park Generated Revenue (%)	National Self-Sufficiency Rank
New Hampshire	\$21.1	-	-	-	-	\$21.1	100%	1
South Carolina	28.1	-	-	-	\$1.2	29.3	96%	2
Wisconsin	16.1	\$0.5	-	\$0.9	0.4	17.0	95%	3
Vermont	9.0	0.7	-	-	-	9.7	93%	4
Florida	68.5	-	\$8.1	0.4	-	77.0	89%	5
Alabama	35.0	-	2.0	-	5.0	42.0	83%	6
Indiana	48.0	9.1	-	-	1.6	58.6	82%	7
Washington	55.3	10.4	4.3	-	-	70.0	79%	8
Utah	11.4	4.0	0.2	-	-	15.6	73%	9
South Dakota	14.0	2.6	0.5	2.4	-	19.4	72%	10
West Virginia	21.9	13.3	7.2	-	-	42.4	52%	21
National Average	23.8	19.3	15.4	1.0	4.3	49.3	51%	--

Source: National Association of State Park Directors, 2017 Annual Information Exchange Master Data Set.

For 2016, West Virginia's Park System self-sufficiency rate was 52 percent. This is a decrease of 8 percent from the 2009 performance review. Although West Virginia is ranked twenty-first in self-sufficiency, each state ranked ahead of West Virginia in Table 3 utilize entrance fees at some or all of the parks in each states' system. Among the 10 state park systems that do not use entrance fees, West Virginia is first, and West Virginia is above the 32 percent average self-sufficiency percentage for those states (see Table 2). The State appropriates the remaining 48 percent of operating funds.

Although West Virginia is ranked twenty-first in self-sufficiency, each state ranked ahead of West Virginia in Table 3 utilize entrance fees at some or all of the parks in each states' system.

In an effort to increase off-season occupancy, the Park System markets and advertises lodge parks throughout the country. During FY 2017, \$494,578 was spent on advertising the Park System. Despite marketing and advertising, off-season occupancy sales continue to be a challenge. Wintertime lodge occupancy rates are typically lower than the rest of the year. According to Smith Travel and Research, this is also normal among the United States Hotel Industry. The Park System has its lowest occupancy rates at park lodges during the winter months of December through February. Some lodges are in isolated locations and

most lack winter recreational activities. These factors make it difficult to attract winter occupants. Although the Park System offers a variety of winter room discount packages, lodge occupancy rates during the winter months have been consistently flat when compared to other years. The Park System's winter time lodge occupancy rate for FY 2017 was 36 percent on weekends and 19 percent on weekdays.

As Table 4 shows, West Virginia's overall lodge occupancy rate for FY 2017 ranged from 46 to 71 percent on weekends (Friday-Sunday) and 24 to 55 percent midweek. Overall, the system had an occupancy rate of 42 percent, 9 points below the national average for state park systems with lodges. Texas' lodge occupancy rate is the highest at 71 percent, but it has only one lodge with 39 rooms. Kentucky's park system includes 17 lodges with a total of 890 rooms, which is five more lodges and 12 rooms than West Virginia, yet its annual occupancy rate for 2016 was only 23 percent. The U.S. hotel industry finished 2017 with a 66 percent average occupancy rate.

West Virginia's overall lodge occupancy rate for FY 2017 ranged from 46 to 71 percent on weekends (Friday-Sunday) and 24 to 55 percent midweek.

Table 4
West Virginia State Park System Lodge Seasonal Occupancy Rates (%): Weekends vs. Week Days, FY 2017[^]

	Yearly		Spring		Summer		Autumn		Winter	
	Weekend	Mid-Week	Weekend	Mid-Week	Weekend	Mid-Week	Weekend	Mid-Week	Weekend	Mid-Week
Blackwater	60	38	48	28	76	58	71	49	42	20
Cacapon: Old Inn*	71	33	76	4	67	40	70	26	--	--
Cacapon Lodge	59	37	51	41	68	44	74	48	42	14
Canaan Valley	53	39	37	30	65	57	59	49	52	21
Chief Logan	47	46	44	40	62	57	52	56	30	30
Hawks Nest	54	33	36	24	81	48	75	48	23	9
North Bend	48	31	44	35	55	28	57	37	36	26
Pipestem: McKeever	49	29	38	23	69	38	58	35	29	19
Pipestem: Mountain Creek*	58	24	47	21	63	16	54	23	--	--
Stonewall	70	55	70	56	81	74	72	60	55	28
Twin Falls	46	28	38	25	66	45	52	26	30	14
Tygart Lake	50	31	46	25	74	54	60	34	19	12

[^]For the purposes of this analysis, the audit team defined weekends as Fridays through Sundays and mid-week as Monday through Thursday. As for the seasonal timeframes, Spring encompass March through May; Summer is July and August 2016 combined with June 2017; Autumn is September through November, and Winter is December through February.

*Both Cacapon's Old Inn and Pipestem's Mountain Creek lodges are closed in November. Cacapon reopens in early April and Mountain Creek reopens in late May.

Source: West Virginia Division of Natural Resources, Parks and Recreation Section.

A distinguishing feature of the West Virginia Park System is that the number of lodges and lodge rooms are among the highest in the country. Currently, 27 states have at least one lodge that provides multiple unit hotel-style guest rooms. Table 5 shows the five states with the highest number of lodge parks. The table includes the total number of lodges that are park-operated and those that are managed by hospitality companies. **Seventy-four (74) percent of the park systems in the U.S. have fewer than seven lodges.** West Virginia has 8 park-operated lodge parks, one park managed by a concessionaire contract (Canaan Valley) and one park operated under a qualified management agreement (Stonewall Resort). According to the West Virginia Parks and Recreation Chief, the State does not provide maintenance at Stonewall Resort but does provide it at Canaan Valley on the exterior of the park lodge and park grounds. The State also provides the Canaan lodge with water and sewer treatment. The funding needed to cover annual maintenance and improvements for the 8 park-operated lodges is inadequate.

A distinguishing feature of the West Virginia Park System is that the number of lodges and lodge rooms are among the highest in the country.

**Table 5
Top Five State Park Systems Based on Number of Lodges,
FY 2016**

State	Number of Lodges	Total Number of Lodge Rooms	Annual Lodge Occupancy Rate	State Park System Self-Sufficiency
Kentucky	17	890	23%	49%
West Virginia	12	878	42%	52%
Ohio	9	793	50%	42%
Illinois	8	341	43%	8%
Indiana	7	636	59%	82%

Source: National Association of State Park Directors, 2017 Annual Information Exchange Master Data Set.

PERD also analyzed seasonal cabin occupancy rates for 18 of the 19 West Virginia State Parks that offer cabin rentals and found that generally, cabins occupancy rates are slightly higher overall, but significantly better in the winter months. Overall, lodge rooms at all 8 lodge parks average an occupancy rate of 55 percent on weekends and 35 percent on weekdays. Cabins, meanwhile, rent at an annual rate of 61 percent on weekends and 34 percent mid-week. That is a difference of six percent on weekends and one percent mid-week. Lodge rooms occupancies are 4 to 5 percent higher in the spring and summer, but are 5 percent lower than cabin rentals during the fall, and 15 percent lower in winter. The significant difference in winter occupancy between lodge rooms and cabins at seven of the eight parks that include both lodges and cabins is examined in Table 6. With the exception of Tygart Lake State Park, the cabins occupancies are 11 to 39 percent higher than the lodge room rentals on winter weekends. Mid-week occupancies are significantly

Overall, lodge rooms at all 8 lodge parks average an occupancy rate of 55 percent on weekends and 35 percent on weekdays.

lower for both lodge rooms and cabins, but again cabin occupancies are consistently higher for cabins than lodge rooms.

PERD also calculated the revenues generated by lodge room and cabin rentals for all seven parks between December 2016 and February 2017 and found that these rentals generate more than \$1.7 million in revenue during those three months. The audit team also noted that Tygart Lake State Park only generated \$25,240 in that three-month period and occupancies for both lodge rooms and cabins were 19 percent for weekends. The layout of the lodge likely contributes to its low occupancy rate. Tygart Lake's lodge is only one of two lodges that has a motel-style layout, with guest rooms being accessible from the outside rather than from the interior of the lobby. The other lodge with exterior entrances to the rooms is the Mountain Creek Lodge at Pipestem, but that lodge is traditionally shutdown in the winter months. Tygart Lake's main draw for guests is the lake, which is drained by the U.S. Army Corps of Engineers in autumn. The lack of winter activities likely contributes to the low occupancy rates for both the lodge and the cabins.

PERD also calculated the revenues generated by lodge room and cabin rentals for all seven parks between December 2016 and February 2017 and found that these rentals generate more than \$1.7 million in revenue during those three months.

The West Virginia Park System Receives \$5 Million Annually for Maintenance from Legislative Appropriation

Park System equipment replacement, repairs and maintenance for all parks is funded annually through the \$5 million State Parks Improvement Fund, and occasional special supplemental appropriations from the Legislature. Individual park superintendents find competing priorities within their own parks for funding routine and emergency equipment replacements and repairs. The West Virginia Parks and Recreation Chief informed PERD that, “*Current funding levels have mostly only been able to address 1) routine repairs and alterations and 2) unidentified urgencies such as safety issues, emergencies, catastrophic weather events, and equipment failures. Very little additional funding has been available for scheduling major R&A projects.*” According to the DNR, the process for park repair is influenced by many factors including:

Park System equipment replacement, repairs and maintenance for all parks is funded annually through the \$5 million State Parks Improvement Fund, and occasional special supplemental appropriations from the Legislature.

- park superintendent requests,
- regulatory agency compliance orders on dams or sewer systems,
- Americans with Disabilities Act legal requirements,
- Board of Risk Management Loss Prevention Inspection requirements, and
- park district administrators and the engineer division's field inspections.

Park superintendents suggest annual routine and strategic maintenance priorities. They also make suggestions for major repairs, equipment replacement and improvement costs that are placed into a regular Parks' three-year repair/equipment replacement plan budget

request which is funded through the State Parks Improvement Fund. Occasionally, the Park System has the funding to implement capital improvement projects. The Park Chief informed the audit team that when it is possible:

Area Superintendents are approved to invest in projects or expenditures that have a return on investment [ROI] of one year or less. Projects with an ROI of two to four years are generally approved so long as Superintendents can create a convincing business plan or show a positive return within the time frame. Projects with a longer ROI are considered, however, are generally challenging to grant due to the higher outlay of funds and challenges [with the current funding levels].

An additional source of funding for park projects and maintenance is an occasional supplemental appropriation approved by the Legislature. The most recent supplemental appropriation was for \$3 million, which was approved during the 2018 legislative session. Park superintendents prioritize projects, but administrators may fund other projects. Projects listed on repair requests can sometimes be deferred for years.

The West Virginia Park Foundation and Individual Park Foundations Also Provide Funding for Repairs and Capital Improvements

The West Virginia Park System is assisted by the West Virginia Park Foundation (WVPF) and park-specific foundations for 17 state parks, both rail trails, and the state's first "natural area," the Forks of Coal. The WVPF and the various foundations at individual state parks contribute funding for park maintenance and enhancement projects through donations collected or raised by the organizations. These groups are non-profit 501(c)(3) organizations and are independent from the Division of Natural Resources. Superintendents and other park staff may sit on the boards of these organizations, but if they do, they are *ex officio* members only. The foundations work with the superintendents to identify needed repairs or park enhancement projects. Once the project is identified the superintendent brings the request to the Parks and Recreation Chief for approval. The park system offers "matching grants" to foundation-created projects, but those grants are limited to 50 percent of the total project costs, not to exceed \$7,500. As of June 2017, these organizations have provided approximately \$7 million to the parks since the WVPF was founded in 1998. The superintendents interviewed during PERD's site visits regularly pointed out work that was completed by their respective foundations and stated they believed the necessity for maintaining the foundations.

The most recent supplemental appropriation was for \$3 million, which was approved during the 2018 legislative session.

The West Virginia Park System is assisted by the West Virginia Park Foundation (WVPF) and park-specific foundations for 17 state parks, both rail trails, and the state's first "natural area," the Forks of Coal.

Entrance Fees to West Virginia State Parks Would Provide Additional Revenue That Could Be Used for Capital Improvements and Deferred Maintenance Projects

In order to raise additional maintenance revenue, the State should and has considered implementing an entrance fee at certain state parks. Entrance fees are widely accepted as a means to generate funding for state park systems, as well as, the National Park System. West Virginia is one of 10 states that do not charge day-use, or entrance fees, while 40 state park systems have implemented entrance fees. States take a variety of approaches, charging vehicle rates and rates per person. California and Colorado utilize a flat-rate fee per vehicle. California's fees range from \$2 to \$10 per vehicle based on the park. Colorado's fees range from \$3 to \$7 per vehicle. New Mexico uses a flat fee of \$5 per person. Wisconsin charges a flat-rate fee per vehicle but distinguishes between residents and non-residents. Wisconsin residents are charged \$5 to \$7 per vehicle, while non-residents are charged \$5 to \$10 per vehicle and buses are charged up to \$14. Of the \$10.9 million obtained from park-generated revenue in New Hampshire, over \$4 million is from park entrance fees.

In 2017, the Park System attempted to implement entrance fees and season passes at seven state parks and forests. The new fee program would have charged \$2 per vehicle for a day pass to a single park or \$12 for an annual pass that includes all seven parks. The money from the passes would go directly to the park that the pass was purchased at and the money was to be used for maintenance and operational costs at the park. According to DNR's own estimates, the program would have generated almost \$1,253,000 in gross revenue and have an operational cost of \$193,000, for an estimated net revenue of \$1,042,000. The program was set to begin during Memorial Day weekend; however, the Governor intervened and cancelled the program before it began. **Therefore, the Legislative Auditor recommends that the Park System should consider working with the Legislature and Governor's office to establish an entrance fee pilot program, similar to the one it attempted to create in 2017.**

Park Superintendents Identified Delays in the Purchasing Process as a Contributing Factor for the Backlog of Deferred Maintenance; However, the Agency Received an Exemption from the Purchasing Division Which Should Enable the Agency to Expedite Its Purchases.

While conducting site visits at West Virginia State Parks, park superintendents reported that a significant issue they have with completing repairs is getting purchases for materials and equipment approved through the Purchasing Division. Park superintendents consistently reported delays due to multiple requests for corrections, inconsistent requirements for purchases, and the bulk of paperwork that they are required to submit.

Entrance fees are widely accepted as a means to generate funding for state park systems, as well as, the National Park System.

While conducting site visits at West Virginia State Parks, park superintendents reported that a significant issue they have with completing repairs is getting purchases for materials and equipment approved through the Purchasing Division.

For example, Pipestem Resort State Park needed to replace the blinds for its dining room windows. The price for the blinds required the park to bid the project out under the State's purchasing rules. Unfortunately, Pipestem did not receive the minimal number of required bids and was forced to consider starting the process over or look for an alternative method to make the purchase. Eventually, the park turned to a donor and received \$5,160 towards the purchase and used \$1,671 from its budget to cover the cost. The agency requested and received an exemption to the Purchasing Division's regulations during the 2017 legislative session. The park superintendents reported to the audit team that this exemption has alleviated many of the issues, but larger purchases are sometime still delayed.

Conclusion

The findings and recommendations of this report echo those from the 2009 review, as well as, other performance reviews of the Park System dating back to the 1990s. The Park System strives to be self-sufficient, but just as in other states, does not produce sufficient revenue to meet that goal. Opportunities exist to increase visitation and occupancy at the parks' lodges, cabins, and campgrounds, but some parks are incapable of becoming profit centers for the system. For instance, the Park System's two rail trails are popular attractions but are incapable of producing much revenue. It would be impractical to attempt to collect entrance fees due to the number of access points along both trails. However, both trails provide economic opportunities for small businesses that provide support and accommodations to trail users, such as restaurants, hostels, and bicycle shops. Other parks, while not profitable, will be necessary to maintain in perpetuity for the Park System to maintain its mission to protect and conserve areas that are "*unique or exceptional scenic, scientific, cultural, archaeological or historic significance.*" But for those that can be made more profitable, the Park System should look for ways to increase revenues.

Recommendation

1. *The Legislative Auditor recommends that the West Virginia Legislature consider implementing the options identified in this report that will increase revenue to meet the maintenance needs of the Parks System and allow greater flexibility to the Parks and Recreation Section's administration in managing its budget.*

The agency requested and received an exemption to the Purchasing Division's regulations during the 2017 legislative session.

The Park System strives to be self-sufficient, but just as in other states, does not produce sufficient revenue to meet that goal.

Appendix A Transmittal Letter

WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX



John Sylvia
Director

August 28, 2018

Clayton Burch, Acting Secretary
West Virginia Department of Commerce
1900 Kanawha Blvd., E.
Building 3, Suite 600
Charleston, WV 25305

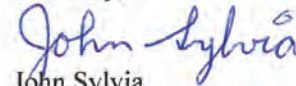
Dear Secretary Burch:

This is to transmit a draft copy of the Performance Review of the Parks and Recreation Section of the Division of Natural Resources. This report is tentatively scheduled to be presented during the September interim meetings of the Joint Committee on Government Operations, and the Joint Committee on Government Organization. We will inform you of the exact time and location once the information becomes available. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions committee members may have during or after the meeting.

If you would like to schedule an exit conference to discuss any concerns you may have with the report, please notify us by Friday, August 31, 2018. In addition, we need your written response by noon on Wednesday, September 5, 2018 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 304-340-3192 by Thursday, September 13, 2018 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,


John Sylvia

Enclosure

cc: Stephen McDaniel, Director of the West Virginia Division of Natural Resources
Samuel England, Chief of the Parks and Recreation Section
Emily J. Fleming, Asst. to the Director of the West Virginia Division of Natural Resources

Appendix B

Objective, Scope and Methodology

The Performance Evaluation and Research Division (PERD) within the Office of the Legislative Auditor conducted this performance review of the Parks and Recreation Section of the Division of Natural Resources as part of the Agency Review of the Department of Commerce, as required and authorized by the West Virginia Performance Review Act, Chapter 4, Article 10, of the *West Virginia Code*, as amended. The purpose of the Parks and Recreations Section, as established in W. Va. Code §20-5-3 is to promote conservation by preserving and protecting natural areas of unique or exceptional scenic, scientific, cultural, archaeological or historic significance and to provide outdoor recreational opportunities for the citizens of this state and its visitors.

Objective

The objective of this review is to determine the extent to which the Parks and Recreation Section of the Division of Natural Resources addressed the deferred maintenance issues identified in the 2009 Performance Review.

Scope

The scope of this review consisted of the operating budget, attendance, and occupancies at West Virginia State Park lodges and cabins for fiscal years 2014 through 2017. It also includes the number of Park System employees, occupancy rates, the number of restaurants, lodges, lodge rooms, cabins, cottages, golf course holes, the amount of money spent on advertising, and the financial performance of the park lodges, cabins, campgrounds, and restaurants.

Methodology

PERD gathered and analyzed several sources of information and conducted audit procedures to assess the sufficiency and appropriateness of the information used as audit evidence. The information gathered and audit procedures are described below.

Testimonial evidence was gathered for this review through interviews with Park superintendents, their staff, and administrators within the Administrative Office, including the Park's Chief. The interviews were confirmed by written statements and in some cases by corroborating evidence. The interviews with the superintendents and their staff were conducted while touring a combination of 16 state parks, forests, and rail trails (Babcock State Park, Blackwater Falls State Park, Blennerhassett Island Historic State Park, Cass Scenic Railroad State Park, Canaan Valley Resort State Park, Chief Logan State Park, the Greenbrier River Trail, Hawks Nest State Park, Kanawha State Forest, North Bend State Park and Rail Trail, Pipestem Resort State Park, Tomlinson Run State Park, Twin Falls Resort State Park, Tygart Lake State Park, and Watoga State Park). The audit team obtained copies of deferred maintenance and capital improvement projects lists from the agency and used those lists to identify specific sites to visit while touring the parks. The audit team's observations of the projects were documented in the summaries of superintendent interviews and photographed during the site visits. Interviews with the park superintendents provided the audit team with an understanding of the factors that contributed to the backlog of projects. The audit team used a standardized questionnaire for each interview so that comparisons could be made between the superintendents' responses.

The audit team also utilized the data sets contained in the National Association of State Park Directors' (NASPD) Annual Information Exchange for fiscal years 2014 through 2016. The NASPD, housed at North Carolina State University, is composed of the state park directors from all 50 states, as well as, the territories of the United States. The organization compiles data on, among other things: state-park-system generated revenues, appropriated funds, total operating expenses, number of lodges, number of lodge rooms, number of park restaurants, number of golf course holes, state park acreage and user fee information. The datasets in the spreadsheets were used to make comparisons between West Virginia and the other states. The audit team reviewed the data and verified its accuracy for West Virginia by comparing them to data provided by the West Virginia DNR. The audit team discovered discrepancies in some of the data for both West Virginia and the other states; however, these discrepancies were all a result of how states categorized their facilities and amenities. For instance, the facilities portion of the survey does not have a category for "rail trails", so the West Virginia DNR listed the State's two rail trails under the category of "natural areas." The project team at North Carolina State University also review the data for consistency from year-to-year and has the parks' staff correct or verify the data before the data sets are made available and the annual report is released. After completing the review, the audit team determine that the NASPD data was sufficient and appropriate.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C

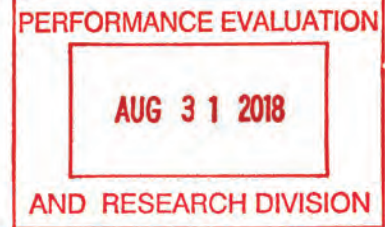
Agency Response



State of West Virginia

DEPARTMENT OF COMMERCE

August 30, 2018



John Sylva, Director
West Virginia Performance Evaluation and Research Division
Building 1, Room W-314; 1900 Kanawha Boulevard East
Charleston, West Virginia 25305

Dear Mr. Sylva:

Thank you for the opportunity to respond to the audit report draft. We have reviewed and found the report to be a good representation of the Division of Natural Resources, Parks and Recreation Section, with a few notable items listed below.

Interestingly, not only is the lack of adequate funding an issue nationwide for most other state parks' systems, but so is the growing deferred maintenance liability. States continue to seek solutions to both concerns. It is important to note that West Virginia is comparatively progressive in being able to identify at least a partial solution to the deferred maintenance concern. We continue to seek solutions to subsidies necessary to properly operate the system. In addition to the three options mentioned in the audit report, another viable option, as described on page 11, would be an excise tax similar with other states. Examples might include an excise tax similar with those supporting wildlife agencies through funds received with the Dingell-Johnson and Pittman-Robertson Acts. A comparable scenario would include a small tax on recreational gear, such as tents, hiking boots, and camping lanterns.

In the second paragraph, it is reported that the revenue shortfall was covered by appropriations of \$14.1 million. The FY17 annual appropriation was approximately \$12.5 million in general revenue and \$2.2 million in excess lottery revenue that all goes for payroll. An additional \$5 million is in our State Parks Improvement Fund, our source for repairs and alterations.

On page 3, our self-sufficiency is shown to be 52 percent, taken from the National State Park Directors Annual Information Exchange, which represents our budgeted revenues and expenditures. It should be noted that the actual self-sufficiency was an improvement over budgeted performance. For FY16 self-sufficiency was actually 56 percent, and the actual for 2009 was 60 percent (as accurately described in the 2009 audit report). The primary cause for the decrease is largely due to the unfunded mandated liabilities such as minimum wage increases, other post-employment benefits (OPEB) and payments to other agencies (such as the Division of Personnel, Office of Technology and Fleet) that the section has absorbed.

Operating a safe and secure park system is essential to our mission and to the expectations of our guests. Great efforts are placed toward reviewing high priority safety concerns, such as aerial trams, ski lifts and structures. As described, inspections of other facilities are routine for operations and are addressed as priorities in work assignments and funding. It should be noted that the remains of the mill at Cass Scenic Railroad State Park, mentioned on page 8, is considered by many to be of historic significance and important to the story of Cass. It now lies within the lease area of the State Rail Authority. Working together with the State Rail Authority in assuring the safety and providing the interpretive value has been difficult to define. As noted, funding for the final outcome of the mill hasn't been identified.

Within the *Increase Legislative Appropriations* section on page 11, a reduction of maintenance staff is described as a contributing factor to the deferred maintenance issues. We agree but would provide clarity that the reduction is mostly a reduction in hourly staffing due to past budget reductions. Full-time maintenance vacancies have not been reduced, but often these higher skilled employees are regularly required to perform the lower skilled tasks due to lack of staffing. However, more important is our inability to recruit and retain higher skilled employees, at all levels, that has led to deferred maintenance on many areas. In January 2016, State Parks and Recreation Chief Samuel England met with the West Virginia University (WVU) Dean of the Davis College of Agriculture, Forestry and Design Dan Robison and WVU Director of the School of Forestry and Natural Resources Robert Burns to discuss our inability to recruit graduating WVU students. The pay was the overwhelming factor identified. The low pay concerns affect all field staff. For example, we employ 13 carpenters with an average pay of \$13.79 per hour. We employ 6 electricians with an average pay of \$13.05 per hour. Employees at this skill level can often make double this salary in the private sector.

Page 12 concludes with the Legislative Auditor's opinion that the most viable options (for addressing the deferred maintenance concerns) are the reduction of costly operations and the enactment of entrance fees. It should be noted that revenue producing programs work holistically. A cabin rental is devalued without good hiking trails. A campsite is beneficial because of the amenities. A lodge room is dysfunctional without a restaurant. Identifying wholesale closures is contrary to our mission. The economic benefits are described later in this response.

It should be noted that non-revenue producing programs are integral to the mission of the State Parks and Recreation Section and that the subsidy for providing hiking trails, picnic areas, preservation of natural, historic and cultural resources, and access to undisturbed spaces are greatly endeared by the citizens. Those services and the areas protected by State Parks provide a greater quality of life. Parks are healthy for the environment, humans and economy and, therefore, most citizens believe that parks are valuable. This value promotes a desire to subsidize state parks through taxes. The attached 2016 Economic Impact Statement discovered that for every \$1 of general tax revenue provided for operating the state park system, \$13.15 is generated in economic benefit. Parks are viewed as an investment for the tourism economy in West Virginia rather than a taxpayer liability.

The free access into West Virginia State Parks and Recreation Section areas supports this economic benefit by providing tourist destination locations that are either primary or secondary destinations. The economic impact study revealed that the total economic impact of West Virginia State Parks and Forests during FY15 was between \$160.5 million and \$189.5 million. Economic impact is a measure of fresh money infused into the state's economy that likely would have not been generated in the absence of the park system. Fresh money is defined as expenditures from out-of-state travelers or those who travel further than 50 miles.

In addition to the economic benefit, free park access greatly encourages area use. Of the highest attended park systems nationally, the 4th through 7th highest attended parks systems have no entry fee. This provides citizen goodwill for state governments. Making a change from providing a longtime free service will likely create some discontented public and reduce visitation. The effects on revenues from the reduced visitation should be considered. Lastly, the educational mission is greatly promoted by not having an entry fee.

The advertising expenditures of \$494,578 represents about 2 percent of operational revenues, which is an indicator that the advertising funds are underbudgeted for the system. Advertising budgets are commonly established upwards to 10 percent of operational revenues for destination facilities.

No doubt, West Virginia State Parks are part of a few exceptional state park systems that offer lodges for overnight stay. This strategy works well for providing overnight tourism and the desire to extend the stay of visiting tourists. Without state park lodges, other destination lodging opportunities, especially in the more rural or remote destinations, are generally unavailable or are at best unpredictable. Providing

a reasonably priced, quality product that consistently meets tourist expectations is what state parks does well.

The lodging industry's business model is generally built around transient customers. Destination visitation is much less profitable; therefore, the reason hotels are overwhelmingly found along major transportation routes rather than near remote tourist destinations. The US hotel industry 66 percent average occupancy rate is for all hotels, skewed chiefly by the overwhelming market of transient hotels, and therefore, it is not an accurate comparison for state park lodges.

In conclusion, we are very appreciative to provide comment and to work cooperatively with the staff of the Performance Evaluation and Research Division throughout the process. We agree with the findings that were summarized on page 4 by stating, "The requirements of maintaining the large, aging system are difficult and ongoing. Limited funding for maintenance creates a constant challenge, but the park administrators and superintendents should be commended for continuing to manage a relatively self-sufficient and well-rated park systems in the country."

Recognizing the overall satisfaction of the audit report and our comments, we believe an exit interview is not necessary. We look forward to the presentation during the September interim meetings of the Joint Committee on Government Operations and the Joint Committee on Government Organization.

Please feel free to contact me if you need additional information.

Sincerely,



W. Clayton Burch
Acting Secretary

CB:mec

ENCLOSURE

cc: Stephen McDaniel, Director
Emily Fleming, Deputy Director
Samuel England, Chief

**The Economic Significance and Impacts of
West Virginia's State Parks and Forests**



Study conducted by:



**Vincent P. Magnini, Ph.D.
Muzaffer Uysal, Ph.D.**

**Delivered:
December 2015**

EXECUTIVE SUMMARY

Since the 1920's West Virginia State Parks and Forests have been an oasis for recreation, relaxation, and rejuvenation for millions of visitors. The West Virginia system is comprised of ten lodge / resort state parks, twenty-six cabin, camping and day use state parks, two rail trails, and eight state forests (See map contained in Appendix A). This diverse range of offerings enables a rich set of activities and amenities for visitors. Activities ranging from bicycling to birding, from gaga ball to geocaching, from Segway riding to skiing, can be found in this vast network of unique and picturesque locations.

As one might imagine, the millions of visitors attracted annually to West Virginia State Parks and Forests spawn a large amount of economic activity throughout the State. The West Virginia Division of Natural Resources has called for an updated economic significance and impact study based upon fiscal year 2014-2015 [referred to in this report as FY15] revenue data. A previous study was conducted nearly two decades ago: it was released in 1998 using data from the FY97 fiscal year (gai consultants, 1998). Parks, visitors, and economic conditions have changed significantly over the past two decades giving rise for the need for the updated study detailed in this report. A summary of key findings of this study are as follows:

- In FY15, West Virginia State Parks and Forests attracted 7.1 million visitors who spent \$226.5 million throughout the state during these trips. Approximately, 46 percent [\$103.6 million] of this spending was by out-of-state visitors.
- The total economic significance of West Virginia State Parks and Forests during FY15 was between \$213.4 million and \$248.7 million. Economic significance is a measure of all economic activity attributed to park visitors.
- The total economic impact of West Virginia State Parks and Forests during FY15 was between \$160.5 million and \$189.5 million. Economic impact is a measure of fresh money infused into the state's economy that likely would have not be generated in the absence of the park system.
- In FY15, for every \$1 of general tax revenue provided to State Parks, \$13.15 on average was generated in fresh money that wouldn't be there if not for the operation of State Parks and Forests.
- Regarding employment, the economic activity stimulated by visitation to West Virginia State Parks and Forests supported approximately 3,209 full-time equivalent jobs in the state in FY15.

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- In terms of wages and income, the economic activity spawned by visitation to West Virginia State Parks and Forests was responsible for roughly \$91.6 million in wage and salary income in FY15.
- Economic activity stimulated by visitation to West Virginia State Parks and Forests was associated with approximately \$140.9 million in value added effects which is a measure of the park system's contribution to the gross domestic product of the state.
- Outside of the park system, the sectors of the West Virginia economy that capture the most visitor spending are lodging accommodations and restaurant/bars.
- Visitor spending attributed to the four park categories are estimated as follows:
 - Lodge and Resort State Parks (10 areas): \$118.6 million in spending
 - Cabin, Camping, and Day Use State Parks (26 areas): \$74.3 million in spending
 - Rail Trails (2 areas): \$10.1 million in spending
 - State Forests (6 areas): \$23.6 million in spending
- Economic significance (a.k.a. economic activity) and economic impacts are also calculated for each park location:

For instance, Blackwater Falls attracted 855,085 visitors, spending \$25.6 million in West Virginia during their visits. The estimated contribution to the economy was \$20.5 million in economic impact.

In terms of visitor spending, locations stimulating the largest amounts of spending in FY15 were Blackwater Falls, Pipestem, and Stonewall. With regarding to economic impact, these three locations also produced the highest levels.

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INVESTIGATOR BIOS

Dr. Vincent Magnini holds a Ph.D. in International Business from Old Dominion University, an MBA from Wichita State University, and a Bachelor's of Science in Hospitality and Tourism Management from Virginia Tech. He was recently ranked as one of the top 12 most prolific hospitality researchers worldwide and holds editorial board appointments on nearly all of the top-ranked research journals in the field. Further, he is a U.S. Fulbright Scholar. He has published six books and more than 100 articles and reports. His recent book titled *Performance Enhancers: Twenty Essential Habits for Service Businesses* appeared on the top 1% of Amazon.com's Best Seller Ranking at multiple points throughout 2014. Dr. Magnini has also been featured three times on National Public Radio's (NPR) *With Good Reason*, once on NPR's *All Things Considered* and cited in the *New York Times*.

Dr. Magnini regularly consults for a number of constituencies in the hospitality and tourism sectors. The consulting activities include projects such as strategic marketing plans, economic impact analyses, feasibility studies, and executive education seminars.

Dr. Muzzo Uysal holds a Ph.D. in tourism and recreation from Texas A&M University, an MBA from the University of New Haven, and a Bachelor's of Science in accounting and business administration from the Ankara Academy of Economics and Commercial Sciences. He has extensive experience in the travel and tourism field; has worked on several funded tourism management and marketing projects and conducted tourism workshops and seminars in more than 30 countries. He is a member of International Academy for the Study of Tourism, the Academy of Leisure Sciences, and serves as co-editor of *Tourism Analysis: An Interdisciplinary Journal*. He has also authored and co-authored a significant number of articles, five monographs, and eight books related to tourism research methods, tourist service satisfaction, tourism and quality-of-life, creating experience value in tourism, consumer psychology in tourism and hospitality settings.

Dr. Uysal has also received a number of awards for Research, Excellence in International Education, Teaching Excellence, and best paper awards. His current research interests center on tourism demand/supply interaction, tourism development and QOL research in tourism.

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